

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15  
H-02 NSC-05 OMB-01 TRSE-00 /059 W  
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R 151728Z APR 77

FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC 3153  
INFO AMCONSUL MONTREAL  
ALL OTHER CANADIAN CONSULS

UNCLAS OTTAWA 02736

E.O. 11652:N/A

TAGS: EAIR, EFIN, CA

SUBJECT: CIVAIR: AIR TRANSPORTATION TAX

REF: OTTAWA A-556, OCT. 22, 1976, AND PREVIOUS

1. MARCH 31 BUDGET ANNOUNCED EXTENSION, EFFECTIVE NOVEMBER 1, 1977, OF AIR TRANSPORTATION TAX TO APPLY TO TRAVELLERS USING CANADIAN AIRPORTS WHO PURCHASE THEIR TICKETS OUTSIDE OF CANADA. STATEMENT SAYS THE TAX "WILL APPLY TO ANY AMOUNT PAID OUTSIDE OF CANADA FOR AIR TRANSPORTATION INVOLVING DEPARTURE FROM AN AIRPORT IN CANADA TO A DESTINATION OUTSIDE OF CANADA. THE TAX IS EXTENDED TO ENSURE THAT ALL USERS WILL CONTRIBUTE ON AN EQUITABLE BASIS TO TRANSPORT CANADA SERVICES AND FACILITIES. IN CERTAIN CASES INVOLVING A COMBINATION OF DOMESTIC AND INTERNATIONAL AIR TRANSPORTATION, THE EXISTING AIR TRANSPORTATION TAX IS IMPOSED SEPARATELY ON BOTH THE DOMESTIC AND INTERNATIONAL FLIGHTS. TO ACHIEVE EQUITY IN THE OVERALL IMPACT OF THE TAX, IT WILL BE RECOMMENDED TO THE GOVERNOR IN COUNCIL THAT THE AIR TRANSPORTATION TAX REGULATIONS BE AMENDED TO ENSURE THAT THE CEILING ON THE MAXIMUM TAX PAYABLE APPLY TO

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THE TOTAL TRIP, AND NOT TO EACH LEG. THIS WILL PREVENT A POSSIBLE DOUBLING OF CANADIAN TAX ON SUCH TRIPS."

2. TRANSPORT CANADA, IN APRIL 12 NEWS RELEASE, AMPLIFIED BUDGET STATEMENT AND QUOTED TRANSPORT MINISTER LANG AS SAYING THAT "THE EXTENSION IS IN KEEPING WITH TRANSPORT CANADA'S POLICY OF ENSURING THAT ALL PASSENGERS

USING TRANSPORT CANADA FACILITIES AND SERVICES SHARE IN THE COST OF PROVIDING THEM, AS THE ANNUAL DEFICIT FOR AIRPORT FACILITIES AND SERVICES CONTINUES TO INCREASE.

"THE EXTENSION WILL AFFECT 44 PER CENT OF INTERNATIONAL TRAVELLERS USING CANADIAN AIRPORTS WHO HAVE NOT PREVIOUSLY BEEN REQUIRED TO PAY THE TAX.

"MR. LANG SAID THAT THE TAX WILL NOT APPLY TO IN-TRANSIT PASSENGERS USING A CANADIAN AIRPORT FOR ROUTING OR TRANSFERRING DURING INTERNATIONAL FLIGHTS, OR FOR ONE-WAY TRIPS FROM A FOREIGN CENTRE.

"AS WITH THE CURRENT TAX, THE EXTENSION WILL BE COLLECTED UNDER THE AUTHORITY OF PART II OF THE EXCISE TAX ACT.

"MR. LANG CONCLUDED: 'IT IS IMPORTANT THAT ALL AIR TRAVELLERS (DOMESTIC, TRANSBORDER AND INTERNATIONAL) CONTRIBUTE TO THE FUNDING OF THE AIR TRANSPORTATION PROGRAM, SINCE THE FACILITIES AND SERVICES ARE PROVIDED FOR THEIR USE IRRESPECTIVE OF WHERE THEIR AIR TICKET IS PURCHASED.' AT CURRENT LEVELS OF TRAFFIC, MR. LANG SAID THE ESTIMATED ADDITIONAL ANNUAL REVENUE WOULD BE IN THE ORDER OF \$15 MILLION."

3. COMMENT: TAX ON TICKETS PURCHASED IN THE UNITED STATES (EXCEPT HAWAII) WILL BE EIGHT PERCENT OF TICKET SUBJECT TO \$8 MAXIMUM. TAX ON TICKETS PURCHASED UNCLASSIFIED

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ELSEWHERE IN WORLD (INCLUDING HAWAII) WILL BE AT A FLAT RATE OF \$8. ALTHOUGH CHARTERS ARE NOT MENTIONED IN THE DOCUMENTATION, MOT FINANCE OFFICIAL ADVISED EXTENSION WILL APPLY TO NON-SCHEDULED AS WELL AS SCHEDULED SERVICES (SEE OTTAWA 2306, JUNE 7, 1976).

4. EXTENSION OF TAX WAS ANNOUNCED FIRST IN MAY 1976 BUDGET, BUT DECISION WAS NOT IMPLEMENTED AS A RESULT OF PRESSURE FROM CANADIAN, U.S., AND INTERNATIONAL CARRIERS. HOWEVER, INTENT OF GOC, AND ESPECIALLY MINISTER LANG, TO APPLY "USER PAY" CONCEPT TO THIS AREA HAS PERSEVERED. IT REMAINS TO BE SEEN WHETHER NOVEMBER 1 DATE WILL STICK. DUEMLING

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## Message Attributes

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